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EXCISE

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52/12
ACTION AF-06

INFO OCT-01 SS-20 E-04 L-02 NSC-10 NSCE-00 INR-06 CIAE-00
NSAE-00 PRS-01 EUR-12 RSR-01 RSC-01 /063 W
040862

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY CJ DATE 8/7/81
PORTIONS DENIED AS INDICATED

P R 150943Z AUG 70
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC PRIORITY 6742
INFO USINT ALGIERS
AMEMBASSY BENGHAZI
AMEMBASSY LONDON
AMEMBASSY PARIS

C O N F I D E N T I A L TRIPOLI 1940

C O R R E C T E D C O P Y TEXT

LIMDIS

SUBJECT: POSTED PRICE NEGOTIATIONS

REF: TRIPOLI 1889

AFVN FOR AMBASSADOR PALMER

1. ESSO'S [redacted] NEW PRICE OFFER [redacted] DELIVERED IN LETTER TO MAGHRABI NEGOTIATING COMMITTEE AUGUST 13. [redacted] OFFER BASED UPON FLAT TEN CENT POSTED PRICE INCREASE PLUS TRANSPORTATION ALLOWANCE. ALLOWANCE WOULD BE INSTITUTED FOR THREE YEARS. HOLDING FIRM FOR FIRST SIX MONTHS AND THEN VARYING WITH WORLDSCALE FREIGHT RATE INDEX FOR 2 AND ONE HALF YEARS. AT END OF PERIOD, TRANSPORT ALLOWANCE, AND PRESUMABLY OTHER PRICE FACTORS, WOULD BE RENEGOTIATED. [redacted] ALLOWANCE, UNDER PRESENT CONDITIONS, WOULD EQUAL ADDITIONAL 11 CENTS IN TERMS OF POSTED PRICE, BRINGING ESSO OFFER UP TO EQUIVELENT OF 21 CENT INCREASE. [redacted] BRIEFED OTHER COMPANY MANAGERS ON ESSO OFFER BUT HAS NOT DEFINED AMOUNT OF TRANSPORT ALLOWANCE FOR THEM.

2. IN RETURN FOR PRICE INCREASE, ESSO IS ASKING FOR QUIT CLAIM

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ON PAYMENTS FROM 1965 TO DATE AND RELEASE OF LNG EXPORTS. ESSO WOULD IMPLEMENT PRICE INCREASES FOR CRUDE UPON NOTIFICATION RCC HAS ACCEPTED OFFER. TERMS OF OFFER PRECLUDE RETROACTIVITY, AND [redacted] ESSO PLANS TO HOLD THIS LINE. B4

3. COPY OF ESSO OFFER ALSO DELIVERED TO DEPUTY PRIME MIN JALLUD, AT HIS REQUEST [redacted] REPORTEDLY, B1
JALLUD WAS GENERALLY RECEPTIVE AND "SEEMED SATISFIED". ON INSTRUCTIONS, [redacted] ASKED IF JALLUD MIGHT WISH TO MEET AGAIN WITH B1
JERSEY VP PIERCY, WHO CURRENTLY IS IN LONDON [redacted] B6
[redacted] JALLUD REPLIED HE WOULD LIKE PIERCY TO RETURN TO
TRIPOLI BY AUGUST 16 FOR MEETING. [redacted] ASKED IF COURTESY CALL ON B1
PRIME MIN QADHAFI MIGHT ALSO BE ARRANGED, AND JALLUD PROMISED IT WOULD BE. OTHER OIL COMPANY REPS NOT INFORMED OF PIERCY'S PLANS TO RETURN OR OF PROSPECTIVE MEETINGS WITH JALLUD AND QADHAFI. B1

4. [redacted] OCCIDENTAL'S WILLIAMSON DECLINED, AT MEETING OF B4
COMPANY REPS, TO COMMENT ON OFFER OXY SUBMITTED TO MAGHRABI COMMITTEE AUGUST 11. OTHER THEN TO SAY IT WAS SIMPLE POSTED PRICE INCREASE IN 20 CENT RANGE, BUT "LOADED WITH CONDITIONS." [redacted] WE HAVE LEARNED THAT TWO OF B4
CONDITIONS ARE RESTORATION OF OXY PRODUCTION LEVEL TO 700,000 B/D AND AGREEMENT ON BASIS FOR CALCULATING 5 PER CENT OF "PROFITS" OXY OBLIGATED TO CONTRIBUTE TO AGRICULTURAL DEVELOPMENT. [redacted] B4
[redacted] OXY CANNOT AGREE TO ANY RETROACTIVITY AND THAT PRICE INCREASE WOULD BECOME EFFECTIVE ONLY WHEN OXY PERMITTED TO RAISE ITS PRODUCTION RATE. [redacted] OXY CANNOT AFFORD B4
RETROACTIVITY SINCE IT IS STILL AMORTIZING ITS INITIAL INVESTMENT IN LIBYA AND IF LARG INSISTS UPON RETROACTIVITY THEN OXY WOULD PREFER THAT IT BE IMPOSED SO THAT SOME OF COST COULD BE PASSED TO CRUDE PURCHASERS UNDER PRESENT CONTRACTS.

5. INDUSTRY REPS STILL GENERALLY PESSIMISTIC THAT NEGOTIATED SETTLEMENT CAN BE REACHED. PESSIMISM BASED UPON FOLLOWING BELIEFS: A) ESSO OFFER TOO COMPLEX TO APPEAL TO RCC, AND LARG TECHNICAL NEGOTIATORS REALIZE TANKER RATES PROBABLY WILL BEGIN TO DROP SHARPLY AT ABOUT TIME TRANSPORT ALLOWANCE BECOMES VARIABLE, RAISING PROSPECT THAT ALLOWANCE COULD BE ELIMINATED WITHIN YEAR OR SO; B) OXY OFFER MAY BE ADEQUATE IN TERMS OF REVENUE INCREASE, BUT LARG IS UNLIKELY TO GIVE QUIDS OXY IS DEMANDING, AND C) LARG APPEARS DETERMINED TO OBTAIN SOME RETROACTIVITY - WHICH

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NEITHER OFFER INCLUDES AND WHICH OXY PROBABLY CANNOT OR WILL NOT YIELD.

6. COMMENT: WHILE THERE IS GOOD DEAL ABOUT WHICH TO BE PESSIMISTIC, WE THINK JALLUD MAY SENSE THAT ELEMENTS OF NEGOTIATED SETTLEMENT ARE PRESENT - IF THEY CAN BE ASSEMBLED - AND THAT THIS IS HIS REASON FOR REQUESTING PIERCY'S RETURN. OVER PAST MONTH OR SO, LARG'S EMPHASIS INCREASINGLY HAS BEEN ON REACHING SETTLEMENT WITH ESSO AS MODEL FOR REST OF INDUSTRY. LARG HAS LESS DIFFICULTY WITH ESSO OVER QUIDS THAN WITH OXY, AND IT MAY JUDGE - PROBABLY CORRECTLY - THAT IT CAN GET SOME RETROACTIVITY FROM ESSO.

7. WE HAVE BELIEVED SINCE EARLY STATE OF NEGOTIATIONS THAT INCREASE IN 20 CENT RANGE WITH RETROACTIVITY OF ABOUT ONE YEAR COULD SETTLE PRICE ISSUE. PRESENT OFFERS FALL SHORT OF THIS MINIMUM, BUT DIFFERENCES MAY YET BE RESOLVED IN SESSIONS WITH JALLUD, WHO NOW IS BILLED IN LOCAL PRESS AS RCC MEMBER IN CHARGE OF NEGOTIATIONS [redacted] B1 [redacted] THINKS JALLUD RECOGNIZES SIMILARITIES BETWEEN ALGERIAN AND LIBYAN SITUATIONS AND THAT HE MAY HAVE REPUDIATION OF MAGHRABI IN MIND.

8. IF HELD, PIERCY'S MEETING WITH JALLUD SHOULD INDICATE WHETHER POSSIBILITY OF REACHING PRICE AGREEMENT EXISTS. ESSO HAS PROMISED TO KEEP US INFORMED.

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